

**Wisconsin Department of
Health and Family Services**

Family Care Capitation Rates, CY 2005

Prepared by:

Eric P. Goetsch, A.S.A.
Associate Actuary

Lynne T. Hindman
Actuarial Analyst

David F. Ogden, F.S.A.
Consulting Actuary

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I. EXECUTIVE SUMMARY

The Family Care program sponsored by the State of Wisconsin Department of Health and Family Services covers long-term care (LTC) services previously provided through the Medicaid State Plan, the Medicaid Home and Community Based Waivers (Waiver), and the Community Options Program (COP). Primary and acute medical services are not covered by Family Care. These latter services continue to be provided in the Medicaid fee-for-service environment.

The final rates no longer incorporate fee-for-service based capitation rates but are entirely based on functional status and CMO encounter data. This report describes the methodology used to develop the 2005 Family Care per member per month (PMPM) concurrent payment rates.

Fee-for-service experience is used to develop the trends needed to project the functional status rates from the base cost period forward. The functional status rate is based on the 2003 data for all CMOs combined, trended to 2005, and adjusted to include an allowance for administration, risk, and technology as well as for each CMO's functional status mix.

Comments on Results

The functional status rates are based on a regression model of functional status (as collected by the Resource Centers) and CMO reported experience for calendar year 2003. Regression is a statistical technique that produces an estimate of the effect of each factor individually on the cost for an individual. The final model uses the following "functional" measures to develop the capitation rates:

- ◆ County
- ◆ SNF level of care for the elderly
- ◆ Type of developmental disability for the disabled, if any
- ◆ Number of IADLs
- ◆ ADLs and their levels of help
- ◆ Interaction terms among various ADLs
- ◆ Behavioral indicators
- ◆ Medication management

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The interaction terms among ADLs recognize that certain combinations of living assistance or equipment are associated with different cost levels and that just recognizing these factors individually would over- or under-estimate costs. Interaction terms improve the fit of the model.

The county values from the regression model recognize county-to-county cost differences that are not explained by the other factors in the model. These differences are due to: provider fee levels, resource availability, potentially incomplete data, CMO management and other factors. We blended these factors with estimates of area differences based on a study of regional cost differences for a market basket of LTC services.

The trends used in the development of the 2005 Family Care rates were developed by analyzing the Elderly and Disabled enrollee costs in the fee-for-service experience. The proportion of Waiver eligibles that are Disabled increased from 59% in 1999 to 60% in 2003. Since the cost PMPM of Disabled eligibles is roughly twice that of Elderly eligibles, this shift caused the trends observed in the combined population to be higher by about 0.3% over two years. The Disabled and Elderly trends are calculated separately and then composited using the Waiver amount paid in 2003. The trends reflect provider fee increases in 2005. We assumed a composite trend of 5.1% from 2003 to 2005.

Adjustments were made to the rates to account for MA-specific cost sharing and for the recovery of some expenses in La Crosse and Milwaukee counties.

In performing this analysis, we relied on data and other information provided by the State. We have not audited or verified this data or other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual

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amounts will differ from projected amounts to the extent that actual experience is better or worse than expected.

This report is intended to assist the State to develop Family Care capitation rates. It may not be appropriate for other uses. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. This report should only be reviewed in its entirety. It assumes the reader is familiar with Family Care, the Wisconsin Medicaid long-term care and Waiver programs, and managed care rating principles.

The results in this report are technical in nature and are dependent upon specific assumptions and methods. No party should rely upon specific assumptions and methods. No party should rely upon these results without a thorough understanding of those assumptions and methods. Such an understanding may require consultation with qualified professionals.

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II. FUNCTIONAL SCREEN RISK ADJUSTMENT METHODOLOGY

This section of the report details the development and statistical validity of a risk adjustment methodology appropriate for the State's needs and which meets CMS requirements as specified in its checklist titled "The Financial Review Documentation for At-Risk Capitated Contracts Ratesetting."

The State desired to adjust payments to CMOs to recognize the relative needs of the recipients in the Family Care program. Commercially available risk adjusters have been developed to use diagnostic and demographic information to predict acute care costs for employer, Medicare, and disabled populations. These approaches were not specifically designed to predict the long-term care costs in a population such as Family Care. Long-term care costs in this population are more closely related to recipient functional status, such as activities of daily living (ADL), than to factors such as age, gender, or diagnoses. We believe that a functional based model can achieve a higher degree of predictive power than commercially available risk adjustment systems.

Data Preparation

Managed care experience data from the five Wisconsin CMOs provided the basis for determining cost. Exposure and functional screen data was also provided by the State. Total claims and total eligibility days in 2003 were accumulated for each recipient. Cost PMPM was determined as the total payments divided by total eligibility days times 30.41667 (the average number of days in a month).

We included eligibility and claim experience for services during January 2003 through December 2003. The functional screen values associated with 2003 costs are based on the screen applicable in the mid-point of the claim period, July 2003 or the month closest to July 2003. The actual screening date may have been prior to July 1, 2003, but appears in the screen file with a screen date of July 1, 2003.

Occasionally a value is missing on a screen. If the gender is missing, we assume the recipient is female; however, gender is not a rating variable. For any item on the screen, if there is no response to a question, we assume that the recipient does not have the characteristic addressed by the question.

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Functional Screen Actual Experience

Aggregate 2003 claims used for the statistical analysis are \$157,557,799, and the exposure months total 84,539 for a PMPM of \$1,863.73 for the MA comprehensive population. Exhibit II-1A shows this experience by county, target group, and category of service (Exhibit II-1B shows this experience when the non-MA and non-comprehensive are included). These tables also show the annual utilization of nursing home days and ICF / MR days. Costs are assumed to be gross of all third party liability / participant cost share.

IBNR adjustments are made by CMO: Fond du Lac data was increased by 0.1%, La Crosse and Milwaukee were increased by 0.4%, Portage by 0.37% and Richland data was unadjusted. Adjustments were also made for certain recoveries in La Crosse and Milwaukee counties that were not available at the individual level.

The remainder of this section summarizes the methodology behind and the results of the regression analysis conducted on the CMO calendar year 2003 encounter data and the functional measures reported from the screens conducted by the Resource Centers. Regression is a statistical technique that develops estimates of the effects of each factor individually, simultaneously adjusting for the impact of other characteristics. This regression model serves as the basis of the risk adjustment methodology.

Sample Size

There were 9,124 MA Comprehensive enrollees in the Family Care program during 2003 of which 9,090 had eligible claims during the year. Hence, the entire population can be used for purposes of statistical modeling. The entire population was used for designing the risk adjustment methodology. No validation of the model was performed this year as this had been done in 2003 and the model was not changed significantly since last year.

This sample size is sufficient for developing a risk adjustment system in light of the centrality of the distribution of long-term care costs in this population. The 'tail' in this distribution is smaller than in employer, Medicare, and other Medicaid populations.

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Functional Status Information

All recipients were given health status and functional screens annually prior to July 1, 2003 or at the point of Family Care enrollment during 2003. Such information is readily available on the State's administrative system and is expected to continue to be available while the Family Care program is in effect.

The health status and functional screens collect the following information on recipients:

- ◆ Type of living situation, level of care (e.g., skilled nursing)
- ◆ The presence of a developmental disability
- ◆ The level of assistance for each instrumental activity of daily living (i.e., IADLs)
- ◆ The level of assistance for each activity of daily living (i.e., ADLs)
- ◆ The presence of one of 64 diagnoses groups allocated into 10 diagnostic classes
- ◆ The use of medications and the level of assistance required to correctly administer them
- ◆ The frequency of certain health related services (e.g., pain management, TPN, dialysis, etc.)
- ◆ The levels of communication, memory, and cognition
- ◆ The presence and extent of certain behaviors (wandering, self-injurious, offensive, etc.)

Legal and administrative information is also collected but not used for risk adjuster development.

All screeners are trained by the State prior to their administering screens to recipients.

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Carve-Outs

Any recipients that were not eligible for Medical Assistance and those not eligible for comprehensive care were excluded from the risk adjustment and rate setting process. These populations constituted less than 8% of the Family Care population in 2003. Rates are separately set for non-MA and non-comprehensive recipients.

Approach to Risk Adjustment

Estimated costs PMPM are determined for recipients based on each recipient's IADL count, specific levels of ADL assistance needed, the presence of certain behavioral problems, detail on medication assistance provided, the level of care provided, the type of developmental disability (if any), certain combinations of ADLs, and geographic region. As discussed in the executive summary, screen information available at the mid-point of the cost period (July 2003) is used. Hence, our approach is concurrent.

Linear regression was used to model the effects of the above factors in predicting costs PMPM. The overall estimate for a recipient is the sum of the coefficients for the factors applicable to the recipient, plus the regression intercept. This method essentially scores each recipient rather than categorizes them into mutually exclusive groups.

The R-squared of the risk adjuster is 43%. This level of performance exceeds the 39% attained last year with the prospective model we created. Most of the improvement is likely due to the move to a concurrent approach. Moreover, it exceeds the 13% to 20% typically seen with nationally recognized prospective models for acute care services. We believe that our model performs better than these systems due to the covered population all using services and there being less variability in cost PMPM for long-term care services than acute care services.

The predictive ratio of the model is 1.00. For the most costly 20% of the population, the predictive ratio is 0.7 whereas for the least costly 20% the predictive ratio is 3.3.

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Regression Modeling - Details

An ordinary linear regression model is used to relate costs to recipient functional characteristics. The unit of analysis is the recipient. That is, the 2003 costs and the functional screen in effect on July 1, 2003 (or at enrollment if enrollment occurred after July 2003) constitute one observation.

All statistical analyses weigh experience in proportion to each recipient's days of eligibility during 2003. Furthermore, we exclude the highest 0.5% and lowest 0.5% of all recipients based on cost, which improves the fit of the model.

The analysis begins with an examination of the cost distribution, which is found to be skewed rather than symmetric around the mean.

Modeling proceeds in a stepwise manner, starting with variables that explain the most variation and incrementally adding variables that have marginally decreasing effect on increasing the model's R-squared. The county variables are always included at each step. Note also that all predictor variables are coded as binary variables. Thus, a recipient either has a particular characteristic or they do not. This also means that no relationship, linear or otherwise, is forced upon a variable such as two ADLs having half the effect of four ADLs, etc.

Potential predictors are included in the model if they are significant at the 5% level of significance. Since a number of variables proved to contribute little towards the model's overall R-squared and since many predictors are correlated, consideration is given to the presence of multicollinearity. Several variables are excluded to simplify the model at this point if including them only marginally increases model fit.

With a baseline model established, the effects of interaction are considered. Interaction terms are important since the effect of, for example, a bathing ADL requiring assistance with a dressing ADL requiring assistance, may be greater or lesser than the sum of these effects modeled individually only.

Parsimony is a central objective in the modeling process. We attempt to include the most influential interactions without unnecessarily cluttering the model.

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Twenty five variables are used to predict cost. The variables are separated into the following classes: region, level of care, IADLs, specific ADLs, interactions, behavioral, and medication use. The estimated impact on the cost for each variable is shown along with its significance (i.e., p-value) and relative contribution in explaining the variation (i.e., Partial R²) and the proportion of the population with the characteristic.

Exhibit II-2 shows the final statistical model. The model explains approximately 43% of the variation in the data. The model has a mean of \$1,827 PMPM (due to excluding the highest and lowest cost individuals) versus an actual of \$1,864 PMPM. Thus, the model's estimates need to be increased by 1.9% to match actual results (see County factor discussion below).

The average effect of each variable shows how the aggregate cost PMPM can be allocated among individual characteristics in the population. For example, the model attributes \$95 PMPM of the aggregate PMPM (\$1,827) to IADL-5. Note that because of correlation and interaction, and the limitations of linear modeling, some coefficients can be negative. Thus, it is important to view the results in Exhibit II-2 in terms of the composite characteristics of all the factors, rather than only each factor individually.

County Factors

The county values developed by the regression represent differences in costs by county that are not explained by other variables in the model. The county estimates represent differences due to CMO management, provider fee levels, resource availability, potentially incomplete data and other factors.

The county factors to be used for rating are intended to recognize the costs of operating in a given county, rather than CMO management.

We separately developed factors based on the relative wage levels and fees paid in the five CMO counties. We used wage data collected by the State / Federal government for occupations involved in providing care: registered nurses, social workers, home health aides, personal care / home care aides and personal care / service. We also reviewed average fees paid by Medicaid for nursing home and residential care days. The relative wage and fee levels were composited using the relative costs used for these services by all CMOs combined. This process estimates the potential costs faced by the CMOs.

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We averaged these relative values with the county factors from the regression model to avoid making too large a change in a single year. The table below shows the combined effects of this adjustment.

Family Care County Effect Adjustment		
	Regression Values PMPM	Adjusted Values PMPM
Fond du Lac	(\$297.57)	(\$249.90)
La Crosse	(247.37)	(257.24)
Milwaukee	0.00	9.16
Portage	(206.91)	(230.30)
Richland	31.65	(117.67)
Composite	(95.90)	(93.85)

All adjusted values shown except Milwaukee are negative since the highest cost county, Milwaukee, was used as the base in the regression model. The \$2.05 PMPM increase in the composite county factor due to rounding requires a downward .1% adjustment so that the final model matches the overall mean, so the final calibration adjustment to include the outliers is 1.9%.

Application of the Model

The State provided the functional screens of the Family Care population enrolled in each county during September 2004. We applied the regression model parameters to these populations to derive an expected cost PMPM by county. Exhibit II-3 shows the distribution of the population by CMO and functional measure used to calculate the final functional based rates.

We used the rating model to measure the relative case mix by CMO by year. The rating model developed in 2002 can be used to compare calendar years 2000, 2001 and 2002. Last year's rating model can be used to compare calendar years 2003 to 2002 and calendar years 2004 to 2003. Exhibit II-4 shows the changes by CMO.

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III. FEE-FOR-SERVICE TREND DEVELOPMENT

This section documents the development of the trends used to project the rates beyond the base cost period.

The two-year trend of 5.1% from 2003 to 2005 includes calendar year 2004 and 2005 fee increases and is derived in a similar manner to that used in prior years. The fee increases were backed out of the historical PMPM trends to develop utilization and mix trend, to which the known fee increases were then applied. The calendar year 2005 fee increases are estimates assuming no fee increases in FY 2006.

Exhibit III-1 shows the eligible days for each year from 1999 to 2003 for both the Elderly and Disabled fee-for-service populations. The proportion of the population that is Disabled has remained flat or increased each year since 1999 (except 2002) for both MMIS and HSRS eligibility.

The dollar-weighted column of Table 1 is calculated by weighting each of the Elderly and Disabled columns with the corresponding 2003 total dollars for the Waiver population.

Table 1 Non-Family Care Counties Comprehensive Population Trend Summary				
	Elderly Population Only	Disabled Population Only	Total Population	Dollar-Weighted Average of Elderly and Disabled
Trend from CY03 to CY04	3.9%	2.0%	2.7%	2.5%
Trend from CY04 to CY05	3.9%	2.0%	2.6%	2.5%
Trend from CY03 to CY05	8.0%	4.1%	5.4%	5.1%

The total population trend reflects both the change in costs within each population and the change in the mix of eligibles by population. The dollar-weighted trend blends the observed trends of each population based on the mix of Waiver dollars in 2003 and does not reflect a changing mix of eligibles by Elderly versus Disabled.

The proportion of the Waiver population which is Disabled has been fluctuating and the Disabled cost PMPM is about double the Elderly cost PMPM. This growth in the proportion of Disabled causes overall trends to be higher than if the Disabled proportion

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were stable. Since Family Care rates are effectively set separately for Disabled and Elderly, any change in proportion of Family Care enrollees should be reflected in the rates. Thus the “dollar weighted” trends are more appropriate for Family Care projections.

Exhibits III-2A, III-2B, and III-2C contain the development of the projected annual trends from 2003 to 2005 for the Total, Elderly, and Disabled comprehensive populations, respectively.

Exhibits III-3A, III-3B, and III-3C summarize the comprehensive per member per month (PMPM) costs and average annual trends from 1999 to 2003 for the Total, Elderly, and Disabled populations, respectively. The trends are based on experience from non-Family Care counties only.

Exhibit III-4 shows the Intermediate rate for 2005. The 2004 rate is increased by 2.5%, based on the trends developed above.

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IV. FINAL RATE METHODOLOGY

This section outlines the final rate development.

As illustrated in the previous two sections, the 2005 rates were developed as described below.

1. Determine functional status based cost using the 2003 CMO reported experience and functional screens from the Resource Centers as outlined in Section II. These cost estimates are adjusted to reflect the following:
 - a. IBNR using payments through June 2004,
 - b. The difference between the eligible months and claims used in the regression analysis versus the actual total claims including the outliers and recoveries and eligible months for all participants including those who had no eligible claims in 2003 and those with outlying claims. Outlier claims are the 0.5% highest and 0.5% lowest cost recipients excluded from the regression analysis in order to improve the fit. The outlier claim adjustment was based on a blend of a uniform adjustment to all CMOs and an adjustment based on CMO specific experience.
2. Project 2003 costs two years using the 5.1% fee-for-service trend discussed in Section III.
3. Divide the projected rates by a target administration, risk and technology factor to develop a capitation rate. We used a factor of 6.25% for the four larger CMOs and 11.25% for Richland. Richland is smaller than the other four CMOs and began operations one year later. Richland has about 40% of the enrollment of the next larger CMO, and about 20% of the enrollment of the second largest CMO (Milwaukee is the largest). Consequently, Richland has a much smaller base over which it can spread its administrative expenses, has had one fewer year to develop infrastructure and is more subject to risk fluctuation than the other CMOs. The 6.25% factor is based on a review of CMO reported administrative costs in 2003 and year-to-date 2004 and reflects a 0.75% reduction in the administrative load as well as the elimination of the 0.25% shared savings addition applied to 2004 rates.

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We adjusted the rates for cost-sharing to produce preliminary net rates from the gross cost projection. The amount of the cost-sharing adjustment is estimated based on Federal regulations and is specific to the MA population. The estimate is based on the most recent Family Care data available and will be adjusted to actual individually calculated cost share amounts at the end of the contract year.

Exhibit IV-1 shows the projection of functional based rates to 2005, the cost-sharing adjustment and the calculation of composite rates.

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Exhibit II-1A
Family Care
Summary of 2003 Experience Used in Statistical Analysis of Functional Screens
Excludes IBNR Adjustment
MA Comprehensives Only
by Service Category

	Fond du Lac		La Crosse		Milwaukee		Portage		Richland		All Counties		Total
	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	
Exposure Months	5,331	5,010	6,038	9,074	48,641	190	3,696	3,482	1,360	1,717	65,066	19,473	84,539
Adaptive Equipment	\$ 31.96	\$ 40.30	\$ 64.58	\$ 98.86	\$ 61.37	\$ 158.96	\$ 46.08	\$ 85.28	\$ 46.17	\$ 59.47	\$ 58.08	\$ 78.48	\$ 62.78
Adult Day Activities	50.50	180.77	27.04	144.79	76.67	99.81	35.41	291.03	82.34	112.93	67.70	176.95	92.86
Case Management	224.60	262.56	164.24	187.30	303.85	408.60	198.18	213.00	320.30	313.83	278.74	224.57	266.26
Community At Large	-	-	-	-	-	-	-	-	-	-	-	-	-
Room and Board	(138.21)	(148.34)	(118.27)	(120.77)	(119.15)	(86.45)	(194.42)	(128.29)	(78.52)	(101.31)	(124.06)	(127.16)	(124.77)
Family Support Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Habilitation/Health	9.89	10.61	19.42	68.52	14.35	12.62	11.16	19.57	19.42	41.08	14.38	41.90	20.72
Home Care	111.80	343.68	156.14	310.47	434.28	700.36	428.78	1,204.52	527.20	428.06	383.68	493.05	408.87
Home Health Care	36.00	63.09	90.46	215.12	197.17	145.18	7.44	22.51	57.38	45.42	160.37	125.92	152.43
Housing	0.67	3.47	6.74	27.24	2.69	0.99	5.21	20.85	28.45	16.22	3.58	18.75	7.08
Institutional	311.00	83.98	530.67	138.54	218.23	58.23	383.06	66.92	559.93	96.51	271.33	107.21	233.52
Member Tracking	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	4.72	4.50	-	-	2.35	1.20	1.13	4.50	1.37	2.47	2.23	2.19	2.22
Residential Care	926.48	884.09	519.82	527.20	604.80	585.52	673.87	775.75	349.50	691.91	621.86	678.55	634.92
Respite Care	4.90	20.38	17.23	64.36	-	-	10.54	65.39	1.61	36.38	2.63	50.13	13.57
Transportation	28.26	64.84	20.10	83.32	33.21	22.08	29.98	29.36	18.09	27.30	31.09	63.38	38.53
Vocational	10.01	231.02	7.19	193.91	9.98	65.52	4.05	213.67	11.45	198.71	9.42	206.16	54.74
Total	\$ 1,612.60	\$ 2,044.93	\$ 1,505.34	\$ 1,938.85	\$ 1,839.80	\$ 2,172.59	\$ 1,640.46	\$ 2,884.07	\$ 1,944.72	\$ 1,968.97	\$ 1,781.02	\$ 2,140.10	\$ 1,863.73
Annual Nursing Home Days per 1,000	32,833	8,160	63,977	11,508	22,342	5,811	42,000	5,621	60,741	10,595	28,985	9,458	24,487
Annual ICF/MR Days per 1,000	1,290	1,083	36	1,431	-	-	198	1,258	-	-	120	1,170	362
Composite Cost PMPM	\$ 1,822.05		\$ 1,765.64		\$ 1,841.10		\$ 2,243.72		\$ 1,958.25		\$ 1,863.73		

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Exhibit II-1B
Family Care
Summary of 2003 Experience Used in Statistical Analysis of Functional Screens
Excludes IBNR Adjustment
All Recipients
by Service Category

	Fond du Lac		La Crosse		Milwaukee		Portage		Richland		All Counties		Total
	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	Elderly	Disabled	
Exposure Months	5,763	5,199	6,689	9,906	52,449	199	4,024	3,857	1,584	1,860	70,509	21,021	91,530
Adaptive Equipment	\$ 30.39	\$ 40.01	\$ 63.36	\$ 95.40	\$ 59.35	\$ 152.95	\$ 45.58	\$ 79.60	\$ 44.31	\$ 56.95	\$ 56.24	\$ 75.95	\$ 60.77
Adult Day Activities	46.89	176.52	26.00	136.60	72.34	95.94	33.68	268.75	71.26	109.98	63.64	167.98	87.60
Case Management	221.63	260.86	164.33	186.21	301.43	398.30	195.99	210.13	315.27	312.75	276.20	222.27	263.81
Community At Large	-	-	-	-	-	-	-	-	-	-	-	-	-
Room and Board	(132.17)	(142.95)	(110.09)	(111.69)	(116.41)	(82.54)	(186.67)	(118.76)	(78.86)	(94.15)	(120.26)	(118.89)	(119.95)
Family Support Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Habilitation/Health	9.39	10.58	18.79	66.07	13.74	12.05	11.36	18.79	17.07	38.68	13.80	40.73	19.99
Home Care	116.35	335.51	154.75	300.12	417.89	677.61	409.46	1,102.90	506.83	409.73	369.80	469.44	392.68
Home Health Care	34.33	65.93	86.20	197.61	185.55	138.61	6.90	20.32	53.92	42.67	150.61	118.24	143.18
Housing	0.73	3.69	6.72	28.43	2.72	0.94	4.79	20.62	24.45	14.97	3.54	19.43	7.19
Institutional	293.30	80.93	516.87	127.53	212.59	55.60	369.51	60.41	507.13	91.37	263.63	99.81	226.01
Member Tracking	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	5.00	4.33	-	-	2.22	1.14	1.08	4.21	1.19	2.34	2.15	2.06	2.13
Residential Care	918.35	853.14	530.69	489.04	590.42	559.04	694.62	712.52	374.09	645.45	612.65	634.60	617.69
Respite Care	4.53	19.64	15.79	60.23	-	-	9.68	59.89	1.39	33.60	2.45	47.20	12.73
Transportation	27.09	63.66	19.11	78.72	31.95	23.77	29.54	27.29	16.97	26.77	29.86	60.44	36.89
Vocational	9.26	225.71	6.49	182.70	9.26	62.55	4.49	213.55	9.83	188.43	8.74	198.37	52.29
Total	\$ 1,585.07	\$ 1,997.55	\$ 1,499.02	\$ 1,836.97	\$ 1,783.07	\$ 2,095.96	\$ 1,630.03	\$ 2,680.23	\$ 1,864.85	\$ 1,879.54	\$ 1,733.05	\$ 2,037.63	\$ 1,803.00
Annual Nursing Home Days per 1,000	31,044	7,864	61,805	10,605	21,777	5,548	39,573	5,074	54,886	10,084	28,091	8,818	23,665
Annual ICF/MR Days per 1,000	1,512	1,043	32	1,311	-	-	1,038	1,136	-	-	186	1,084	392
Composite Cost PMPM	\$ 1,780.70		\$ 1,700.75		\$ 1,784.26		\$ 2,144.01		\$ 1,872.78		\$ 1,803.00		

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Exhibit II-2
Family Care
2004 Regression Model of 2003 PMPM, Weighted in 2003 Days
Includes IBNR Adjustment, Comprehensive MAs Only
Base = Milwaukee, Non-SNF, No DD LOC, <3 IADLs, 0 ADLs

SNF Subset Applies Only to Non-DD Recipients

Variable	Mean 1,827.32	R-Sq 42.7%	Partial R ²	Proportion of Population With Variable	Average Effect of Variable
	Estimate	p-Value			
Intercept (Grid Component)	835.119	.0001	-		835.12
County - (Grid Component)					
RICHLAND	31.647	.5934	0.0003	0.0366	1.16
LACROSSE	-247.372	.0001	0.0012	0.1777	(43.95)
FONDDULAC	-297.567	.0001	0.0003	0.1222	(36.37)
PORTAGE	-206.908	.0001	0.0002	0.0809	(16.74)
DD/NH Level of Care (Grid Component)					
DD1A	788.671	.0001	0.0160	0.0100	7.87
DD1B	1027.836	.0001	0.0433	0.0187	19.18
DD2	772.792	.0001	0.0619	0.1291	99.80
SNF	180.213	.0001	0.0805	0.2607	46.99
Number of IADLs (Grid Component)					
iadl_3	112.830	.0015	0.0112	0.1869	21.09
iadl_4	266.550	.0001	0.0000	0.3434	91.53
iadl_5	416.928	.0001	0.0561	0.2277	94.92
iadl_6	885.520	.0001	0.0459	0.0337	29.81
Specific ADLs / Equipment Used (Add-On)					
Bathing_2	274.497	.0001	0.0458	0.4461	122.45
Dressing_2	137.313	.0004	0.0169	0.2314	31.77
Toileting_1	180.349	.0001	0.0020	0.1589	28.66
Toileting_2	266.769	.0001	0.0126	0.1535	40.96
Transfer_2	199.403	.0001	0.0019	0.1367	27.26
Interaction Terms (Add-On)					
Dressing_Toileting	120.932	.0025	0.0027	0.3798	45.93
Bathing_Equip_Eating	136.260	.0006	0.0026	0.1378	18.78
Transfer_Equip_Mobility	330.313	.0001	0.0014	0.0438	14.45
Bathing_Equip_Dressing	146.445	.0001	0.0012	0.3399	49.78
Behavioral Variables (Add-On)					
Injury	237.042	.0001	0.0023	0.0484	11.46
Offensive	339.526	.0001	0.0058	0.1119	38.00
Medication Use (Add-On)					
Meds_2A	376.057	.0001	0.0015	0.1957	73.59
Meds_2B	508.322	.0001	0.0128	0.3419	173.80

1,827.32

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Exhibit II-3
Family Care
Proportion of Population with Characteristics by County and Year
Excludes IBNR Adjustment, Comprehensive MAs Only

Factor	Proportion of 2004 Population with Characteristic				
	Fond du Lac	La Crosse	Milwaukee	Portage	Richland
<i>Disability or Nursing Home</i>					
DD1A	1.9%	1.4%	0.7%	2.4%	2.2%
DD1B	4.4%	5.4%	0.3%	4.9%	5.6%
DD2	26.1%	19.1%	5.7%	20.5%	20.8%
SNF	21.5%	13.5%	23.9%	22.5%	12.3%
<i>IADLs</i>					
3 IADLs	16.8%	19.1%	20.6%	16.1%	21.2%
4 IADLs	29.9%	26.6%	38.3%	31.3%	25.7%
5 IADLs	28.1%	18.6%	20.8%	27.3%	20.4%
6 IADLs	9.8%	6.9%	0.8%	5.9%	7.4%
<i>ADLs</i>					
Bathing_2	42.6%	36.8%	47.7%	49.2%	35.7%
Dressing_2	20.3%	19.4%	27.3%	26.7%	16.4%
Toileting_1	12.0%	14.5%	16.9%	16.8%	15.2%
Toileting_2	16.6%	14.1%	16.4%	20.1%	13.4%
Transfer_2	14.9%	11.6%	15.5%	14.9%	11.5%
<i>Interaction Terms</i>					
Dressing_Toileting	35.3%	31.0%	42.9%	42.5%	33.1%
Bathing_Equip_Eating	16.8%	15.0%	14.7%	24.0%	17.8%
Transfer_Equip_Mobility	5.6%	4.6%	3.3%	6.3%	6.7%
Bathing_Equip_Dressing	35.0%	31.4%	39.6%	42.9%	33.5%
<i>Behavioral</i>					
Injury_flag	6.1%	7.0%	3.1%	9.5%	6.3%
Offensive_flag	17.0%	13.9%	8.4%	19.2%	13.8%
<i>Medication Use</i>					
Meds_2A	16.5%	17.2%	20.5%	18.9%	21.6%
Meds_2B	41.3%	27.5%	37.7%	37.7%	28.3%

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Exhibit II-4
Family Care
Case Mix Changes by Year and County - Comprehensive, MA Only

Years	Fond du Lac	La Crosse	Milwaukee	Portage	Richland
2001 vs 2000 (Based on 2001 Rating Model)	1.0%	-5.9%	1.5%	-9.5%	NA
2002 vs 2001 (Based on 2002 Rating Model)	0.1%	1.6%	5.3%	-4.9%	-1.8%
Oct 2003 vs CY 2002 (Based on 2003 Rating Model)	-4.0%	-3.2%	-1.3%	-0.1%	-1.5%
2004 vs 2003 (Based on 2003 Rating Model)	4.8%	-3.3%	1.1%	-1.0%	3.1%

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Exhibit III-1

Non-Family Care Counties Comprehensive Population

Annual Eligibility Summary

MMIS					
	1999	2000	2001	2002	2003
Eligible Days					
Elderly	2,379,417	2,364,201	2,469,776	2,774,206	2,843,465
Disabled	<u>3,195,581</u>	<u>3,374,880</u>	<u>3,520,971</u>	<u>3,857,705</u>	<u>4,084,820</u>
Total	5,574,998	5,739,081	5,990,747	6,631,911	6,928,285
Percent of Total					
Elderly	42.7%	41.2%	41.2%	41.8%	41.0%
Disabled	<u>57.3%</u>	<u>58.8%</u>	<u>58.8%</u>	<u>58.2%</u>	<u>59.0%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%
HSRS					
	1999	2000	2001	2002	2003
Eligible Days					
Elderly	2,107,648	2,119,443	2,189,947	2,477,364	2,593,648
Disabled	<u>3,024,146</u>	<u>3,216,107</u>	<u>3,348,062</u>	<u>3,661,643</u>	<u>3,883,656</u>
Total	5,131,794	5,335,550	5,538,009	6,139,007	6,477,304
Percent of Total					
Elderly	41.1%	39.7%	39.5%	40.4%	40.0%
Disabled	<u>58.9%</u>	<u>60.3%</u>	<u>60.5%</u>	<u>59.6%</u>	<u>60.0%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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Exhibit III-2A

Non-Family Care Counties Comprehensive Population - Total

Development of Projected Trends

	2003 PMPM	2003 - 2004 Reimbursement Trend	2003 - 2004 Mix / Utilization Trend	Projected 2004 PMPM	2004 - 2005 Reimbursement Trend	2004 - 2005 Mix / Utilization Trend	Projected 2005 PMPM
Nursing Facility	\$93.35	2.60%	-0.2%	\$95.62	1.29%	-0.2%	\$96.70
MR Centers	16.77	2.60%	-0.2%	17.18	1.29%	-0.2%	17.37
MR Facilities	12.65	2.60%	-0.2%	12.96	1.29%	-0.2%	13.11
Home Care	410.98	0.00%	-0.2%	410.32	0.00%	-0.2%	409.66
Case Management	2.25	0.00%	-0.2%	2.25	0.00%	-0.2%	2.25
Other	73.62	0.00%	-0.2%	73.51	0.00%	-0.2%	73.39
MMIS Total	\$609.62			\$611.83			\$612.47
Habilitation	\$7.48	0.00%	3.4%	\$7.73	0.00%	3.4%	\$7.99
Home Care	580.48	0.00%	3.4%	600.11	0.00%	3.4%	620.40
Residential	711.14	0.00%	3.4%	735.18	0.00%	3.4%	760.04
Case Management	162.12	0.00%	3.4%	167.60	0.00%	3.4%	173.26
Other	524.67	0.00%	3.4%	542.41	0.00%	3.4%	560.75
Cost Sharing	-12.43	0.00%	3.4%	-12.85	0.00%	3.4%	-13.28
HSRS Total	\$1,973.46			\$2,040.18			\$2,109.15
Total MMIS and HSRS	\$2,583.08			\$2,652.01			\$2,721.63
Two-year Trend							5.4%
Annual Trend				2.7%			2.6%

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Exhibit III-2B

Non-Family Care Counties Comprehensive Population - Elderly

Development of Projected Trends

	2003	2003 - 2004	2003 - 2004	Projected	2004 - 2005	2004 - 2005	Projected
	PMPM	Reimbursement	Mix / Utilization	2004	Reimbursement	Mix / Utilization	2005
		Trend	Trend	PMPM	Trend	Trend	PMPM
Nursing Facility	\$172.31	2.60%	-1.8%	\$173.53	1.29%	-1.8%	\$172.53
MR Centers	4.15	2.60%	-1.8%	4.18	1.29%	-1.8%	4.16
MR Facilities	5.73	2.60%	-1.8%	5.77	1.29%	-1.8%	5.74
Home Care	222.86	0.00%	-1.8%	218.76	0.00%	-1.8%	214.73
Case Management	1.75	0.00%	-1.8%	1.72	0.00%	-1.8%	1.69
Other	52.23	0.00%	-1.8%	51.27	0.00%	-1.8%	50.33
MMIS Total	\$459.04			\$455.24			\$449.17
Habilitation	\$4.28	0.00%	5.8%	\$4.53	0.00%	5.8%	\$4.79
Home Care	393.73	0.00%	5.8%	416.51	0.00%	5.8%	440.62
Residential	510.90	0.00%	5.8%	540.47	0.00%	5.8%	571.75
Case Management	147.40	0.00%	5.8%	155.94	0.00%	5.8%	164.96
Other	153.92	0.00%	5.8%	162.83	0.00%	5.8%	172.26
Cost Sharing	-19.22	0.00%	5.8%	-20.34	0.00%	5.8%	-21.51
HSRS Total	\$1,191.01			\$1,259.94			\$1,332.87
Total MMIS and HSRS	\$1,650.05			\$1,715.18			\$1,782.04
Two-year Trend							8.0%
Annual Trend				3.9%			3.9%

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Exhibit III-2C

Non-Family Care Counties Comprehensive Population - Disabled

Development of Projected Trends

	2003	2003 - 2004	2003 - 2004	Projected	2004 - 2005	2004 - 2005	Projected
	PMPM	Reimbursement	Mix / Utilization	2004	Reimbursement	Mix / Utilization	2005
		Trend	Trend	PMPM	Trend	Trend	PMPM
Nursing Facility	\$38.38	2.60%	0.4%	\$39.55	1.29%	0.4%	\$40.24
MR Centers	25.55	2.60%	0.4%	26.33	1.29%	0.4%	26.79
MR Facilities	17.47	2.60%	0.4%	18.00	1.29%	0.4%	18.32
Home Care	541.92	0.00%	0.4%	544.32	0.00%	0.4%	546.72
Case Management	2.60	0.00%	0.4%	2.62	0.00%	0.4%	2.63
Other	88.51	0.00%	0.4%	88.90	0.00%	0.4%	89.30
MMIS Total	\$714.44			\$719.72			\$723.99
Habilitation	\$9.61	0.00%	2.4%	\$9.84	0.00%	2.4%	\$10.08
Home Care	705.21	0.00%	2.4%	722.22	0.00%	2.4%	739.64
Residential	844.87	0.00%	2.4%	865.25	0.00%	2.4%	886.12
Case Management	171.94	0.00%	2.4%	176.09	0.00%	2.4%	180.34
Other	772.27	0.00%	2.4%	790.90	0.00%	2.4%	809.98
Cost Sharing	-7.89	0.00%	2.4%	-8.08	0.00%	2.4%	-8.27
HSRS Total	\$2,496.00			\$2,556.21			\$2,617.88
Total MMIS and HSRS	\$3,210.44			\$3,275.94			\$3,341.87
Two-year Trend							4.1%
Annual Trend				2.0%			2.0%

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Exhibit III-3A

Non-Family Care Counties Comprehensive Population - Total

Annual PMPM Summary

	1999	2000	2001	2002	2003	1999-2003
	PMPM	PMPM	PMPM	PMPM	PMPM	Annual Trend
Nursing Facility	\$94.53	\$87.98	\$92.43	\$97.23	\$93.35	-0.3%
MR Centers	17.28	12.90	12.81	9.37	16.77	-0.7%
MR Facilities	9.56	9.74	13.38	13.59	12.65	7.3%
Home Care	315.41	355.96	402.05	393.28	410.98	6.8%
Case Management	2.98	2.34	2.80	2.53	2.25	-6.7%
Other ⁽¹⁾	77.62	73.46	71.06	72.27	73.62	-1.3%
 MMIS Total	 \$517.38	 \$542.39	 \$594.53	 \$588.28	 \$609.62	 4.2%
 Habilitation	 \$6.34	 \$6.27	 \$6.39	 \$6.87	 \$7.48	 4.2%
Home Care	659.86	632.19	624.84	598.70	580.48	-3.2%
Residential	520.08	565.85	622.31	667.12	711.14	8.1%
Case Management	136.00	139.45	147.49	154.74	162.12	4.5%
Other ⁽²⁾	362.52	416.84	457.15	482.90	524.67	9.7%
Cost Sharing	-10.92	-10.21	-9.67	-11.32	-12.43	3.3%
 HSRS Total	 \$1,673.88	 \$1,750.38	 \$1,848.51	 \$1,899.02	 \$1,973.46	 4.2%
 Total MMIS and HSRS	 \$2,191.26	 \$2,292.77	 \$2,443.04	 \$2,487.29	 \$2,583.08	 4.2%

⁽¹⁾ MMIS Other line includes DME, DMS, Occupational Therapy, Physical Therapy, Speech & Language, and Transportation.

⁽²⁾ HSRS Other line includes Adaptive Equipment, Adult Day Activities, Respite Care, Transportation, and Vocational.

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Exhibit III-3B

Non-Family Care Counties
Comprehensive Population - Elderly

Annual PMPM Summary

	1999	2000	2001	2002	2003	1999-2003
	PMPM	PMPM	PMPM	PMPM	PMPM	Annual Trend
Nursing Facility	\$177.96	\$161.43	\$177.32	\$174.89	\$172.31	-0.8%
MR Centers	0.08	1.12	0.00	0.07	4.15	164.5%
MR Facilities	4.62	3.12	4.08	2.27	5.73	5.5%
Home Care	184.44	199.50	222.82	209.31	222.86	4.8%
Case Management	2.14	1.91	2.58	2.14	1.75	-4.9%
Other ⁽¹⁾	50.26	48.51	49.50	49.58	52.23	1.0%
 MMIS Total	 \$419.51	 \$415.59	 \$456.31	 \$438.26	 \$459.04	 2.3%
 Habilitation	 \$3.79	 \$3.49	 \$3.35	 \$3.68	 \$4.28	 3.1%
Home Care	415.79	418.33	407.16	394.79	393.73	-1.4%
Residential	276.82	321.67	374.31	454.61	510.90	16.6%
Case Management	116.38	122.47	129.65	136.72	147.40	6.1%
Other ⁽²⁾	123.34	129.65	137.15	144.76	153.92	5.7%
Cost Sharing	-15.01	-12.11	-13.66	-17.55	-19.22	6.4%
 HSRS Total	 \$921.11	 \$983.50	 \$1,037.97	 \$1,117.01	 \$1,191.01	 6.6%
 Total MMIS and HSRS	 \$1,340.61	 \$1,399.09	 \$1,494.28	 \$1,555.27	 \$1,650.05	 5.3%

⁽¹⁾ MMIS Other line includes DME, DMS, Occupational Therapy, Physical Therapy, Speech & Language, and Transportation.

⁽²⁾ HSRS Other line includes Adaptive Equipment, Adult Day Activities, Respite Care, Transportation, and Vocational.

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Exhibit III-3C

Non-Family Care Counties Comprehensive Population - Disabled

Annual PMPM Summary

	1999	2000	2001	2002	2003	1999-2003 Annual Trend
	PMPM	PMPM	PMPM	PMPM	PMPM	
Nursing Facility	\$32.41	\$36.53	\$32.88	\$41.37	\$38.38	4.3%
MR Centers	30.08	21.15	21.80	16.07	25.55	-4.0%
MR Facilities	13.24	14.37	19.90	21.74	17.47	7.2%
Home Care	412.93	465.57	527.77	525.58	541.92	7.0%
Case Management	3.60	2.65	2.95	2.81	2.60	-7.8%
Other ⁽¹⁾	98.00	90.94	86.18	88.58	88.51	-2.5%
 MMIS Total	 \$590.26	 \$631.21	 \$691.48	 \$696.16	 \$714.44	 4.9%
 Habilitation	 \$8.12	 \$8.10	 \$8.37	 \$9.03	 \$9.61	 4.3%
Home Care	829.96	773.12	767.22	736.66	705.21	-4.0%
Residential	689.63	726.76	784.53	810.90	844.87	5.2%
Case Management	149.67	150.65	159.16	166.93	171.94	3.5%
Other ⁽²⁾	529.20	606.10	666.46	711.67	772.27	9.9%
Cost Sharing	-8.06	-8.97	-7.06	-7.10	-7.89	-0.5%
 HSRS Total	 \$2,198.52	 \$2,255.76	 \$2,378.68	 \$2,428.10	 \$2,496.00	 3.2%
 Total MMIS and HSRS	 \$2,788.77	 \$2,886.97	 \$3,070.17	 \$3,124.26	 \$3,210.44	 3.6%

⁽¹⁾ MMIS Other line includes DME, DMS, Occupational Therapy, Physical Therapy, Speech & Language, and Transportation.

⁽²⁾ HSRS Other line includes Adaptive Equipment, Adult Day Activities, Respite Care, Transportation, and Vocational.

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Exhibit III-4

Family Care

2005 Rates Developed from 2004 Fee-For-Service Based Rates

Intermediate Population

Composite Rates

Target Group	2004 Rate	2005 Trend	2005 Rate
Statewide	\$674.49	2.5%	\$691.35

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**Exhibit IV-1
Family Care
Comprehensive Rates Only
Final 2005 Rates Updated**

County	Average DD/NH and IADL	Average Add On	Total Statistical Model 2003 PMPM	Administration and Risk Add On	Two-Year Trend	2005 Functional Screen Gross MA Rate	Sqrt of Ratio (non-MA to MA) from Special Populations	Final 2005 Gross non-MA Rates
Fond du Lac	\$1,210.31	\$733.02	\$1,943.33	93.75%	5.1%	\$2,178.61	0.989	\$2,154.58
La Crosse	1,076.45	618.41	1,694.86	93.75%	5.1%	1,900.05	0.989	1,879.10
Milwaukee	1,168.16	724.48	1,892.64	93.75%	5.1%	2,121.77	0.989	2,098.37
Portage	1,240.13	873.91	2,114.05	93.75%	5.1%	2,369.99	0.989	2,343.85
Richland	1,228.21	633.30	1,861.50	88.75%	5.1%	2,204.44	0.989	2,180.13

County	2005 Projected Exposure		2005 Average Cost Sharing PMPM		Final 2005 Net MA Rates	Final 2005 Net non-MA Rates	Final 2005 Net Composite Rates	Final 2004 Net Composite Rates	Net Rate Change 2005 vs. 2004
	MA	Non-MA	MA	Non-MA					
Fond du Lac	11,046	228	\$47.97	\$513.39	\$2,130.64	\$1,641.19	\$2,120.74	\$1,881.07	12.7%
La Crosse	20,316	624	60.03	414.92	1,840.02	1,464.18	1,828.82	1,764.17	3.7%
Milwaukee	69,853	1,176	59.92	449.72	2,061.85	1,648.65	2,055.01	1,810.61	13.5%
Portage	9,663	144	43.39	415.73	2,326.60	1,928.12	2,320.75	2,255.32	2.9%
Richland	3,240	204	61.64	79.60	2,142.80	2,100.53	2,140.30	1,970.98	8.6%

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